MINISTRY OF TOURISM, PARKS, CULTURE AND SPORT

COMMERCIAL REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2012

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Commercial Revolving Fund, which comprise the statement of financial position as at March 31, 2012, the statements of operations and accumulated operating surplus (deficit), and changes in the accumulated net recovery (expenditure) for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Commercial Revolving Fund as at March 31, 2012, and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan
July 18, 2012

Bonnie Lysyk, MBA, CA
Provincial Auditor

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COMMERCIAL REVOLVING FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	2012	2011
Financial Assets:		
Accounts receivable (Note 8)	$ 919,743	$ 624,668
Due from General Revenue Fund	3,241,100	2,435,926
Inventories for resale	197,434	208,715
Accumulated net recovery (Statement 3)	1,299,067	---
TOTAL FINANCIAL ASSETS	5,657,344	3,269,309
Liabilities:		
Accounts payable and accrued liabilities	2,161,571	1,836,980
Unearned revenue	4,726,574	1,717,959
Accumulated net expenditure (Statement 3)	---	686,428
TOTAL LIABILITIES	6,888,145	4,241,367
Net Debt	(1,230,801)	(972,058)
Non-Financial Assets:		
Prepaid expenses	14,289	14,225
Inventories held for consumption	1,139,190	1,077,156
TOTAL NON-FINANCIAL ASSETS	1,153,479	1,091,381
Accumulated (deficit) surplus (Statement 2 and Note 4)	**$ (77,322)**	**$ 119,323**

See accompanying notes to the financial statements

COMMERCIAL REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS (DEFICIT)
For the Year Ended March 31

	2012		2011
	Budget (Note 7)	Actual	Actual
Revenues:			
Camping	$ 6,821,000	$ 7,250,262	$ 6,962,991
Cottage leases	2,000,000	2,103,940	2,012,838
Park entry	2,100,000	2,147,528	2,036,828
Resource management	900,000	853,782	971,157
Commercial leases	500,000	372,944	528,405
Swimming & accommodation	150,000	155,925	140,412
Facility rental income	130,000	121,315	134,573
Interest revenue	---	33,096	99,806
Other	300,000	331,906	340,624
	12,901,000	13,370,698	13,227,634
Expenses:			
Salaries and benefits	13,649,000	13,555,629	13,387,067
Contractual services	4,032,000	4,976,209	4,141,608
Supplies and service expenses	2,892,000	2,693,468	2,636,385
Travel and business expenses	1,200,000	1,584,544	1,241,845
Communication expenses	330,000	236,030	250,680
Equipment	---	514,759	---
Bad debt	---	(349,471)	(58,069)
Bank Charges	150,000	248,175	175,159
Other	20,000	30,000	1,124
	22,273,000	23,489,343	21,775,799
Loss from operations	(9,372,000)	(10,118,645)	(8,548,165)
Subsidy from General Revenue Fund	9,372,000	9,922,000	7,991,810
Annual Deficit	$ 0	$ (196,645)	$ (556,355)
Accumulated operating surplus, beginning of year		119,323	675,678
Accumulated operating (deficit) surplus, end of period (Statement 1)		**$ (77,322)**	**$ 119,323**

See accompanying notes to the financial statements

COMMERCIAL REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET RECOVERY (EXPENDITURE)
For the Year Ended March 31

	2012	2011
Financing (required for) provided by operating activities:		
Annual (Deficit)	$ (196,645)	$ (556,355)
Net increase in working capital items related to operations (Note 5)	2,182,140	1,511,091
Net decrease in financing requirement	1,985,495	954,736
Accumulated net expenditure, beginning of year	(686,428)	(1,641,164)
Accumulated net recovery (expenditure), end of year (Statement 1)	**$ 1,299,067**	**$ (686,428)**

See accompanying notes to the financial statements

COMMERCIAL REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2012

1. Authority and Definition of Reporting Entity

The Commercial Revolving Fund (Revolving Fund) operates under the authority of Section 18 of *The Natural Resources Act*. The purpose of the Revolving Fund is to conduct commercial activities required for the promotion, development, and management of provincial parks.

Pursuant to Order in Council 900/07, the Ministry of Tourism, Parks, Culture and Sport (TPCS) is responsible for the Revolving Fund effective November 21, 2007.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as an other government organization. These financial statements are prepared in accordance with Canadian public sector accounting standards. These statements do not present a Statement of Cash Flows as this information is readily apparent from the Statement of Changes in Accumulated Net Recovery (Expenditure) and Note 5. These statements also do not present a Statement of Changes in Net Debt as this information is readily apparent from the Statement of Financial Position. The following accounting policies are considered significant.

a) Accounts Receivable

Accounts Receivable consists of receivables for oil, gas, cottage and commercial leases net of Allowance for Doubtful Accounts.

b) Inventories

Resale inventory consists of maps, wildlife manuals, pins, and other miscellaneous items that are valued at the lower of cost and net realizable value.

c) Unearned revenue

Unearned revenue consists of payments on reservations and mineral leases made in advance.

d) Accumulated Net Recovery (Expenditure)

Expenditures of the Revolving Fund are made directly out of the General Revenue Fund (GRF) and receipts are deposited into the GRF. The excess of accumulated receipts over accumulated expenditures is the accumulated net recovery. The excess of the accumulated expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net recovery (expenditure) of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's changes in working capital and net cash flow from operations.

e) Revenue Recognition

Revenues, other than lease revenues, are recognized when permits are issued and/or services are provided. Lease revenues are recognized when lease payments are due.

f) Subsidy from General Revenue Fund

The subsidy from the General Revenue Fund is recognized when received or receivable.

g) Non-Financial Assets

Tangible capital assets are accounted for as assets by the government because they can be used to provide government services in future periods. These assets do not normally provide resources to discharge the liabilities of the government unless they are sold.

Inventory held for consumption is recorded at cost and is expensed in the year it is consumed.

h) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net working capital changes and net cash flows from operations.

i) Estimates

These statements are prepared in conformity with Canadian public sector accounting standards. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities if any at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

j) Recent Accounting Pronouncements

Effective April 1, 2012, the Revolving Fund will be required to adopt Canadian public sector accounting standards Sections 1201 - Financial Statement Presentation and 3450 - Financial Instruments. Section 3450 provides standards for measurement and disclosure of the risks arising from financial instruments to which the Revolving Fund is exposed. The Revolving Fund currently discloses financial instruments risks (see note 8) and records financial instruments at fair value; as such the new sections will not have a significant impact on its financial statements.

In addition, all government transfers are required to be accounted for in accordance with Section 3410 Government Transfers for fiscal years beginning on or after April 1, 2012. The ministry is currently evaluating the potential impact on its financial statements.

3. Authorized Financing

Section 18(10) of *The Natural Resources Act* specifies that the maximum accumulated net expenditure, which may be outstanding at any time, will be set by order of the Lieutenant Governor in Council. A maximum amount of $4,000,000 was established by Order in Council 516/94.

4. Accumulated Surplus (Deficit)

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated surplus (deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus (deficit) for approval by Treasury Board. A plan may include, but is not limited to, payment of excess surpluses to, or request for additional funding from, the General Revenue Fund. Treasury Board has specified the limit for the accumulated surplus (deficit) as $350,000.

5. Net Change in Working Capital Items Related to Operations

	2012	2011
(Increase) in accounts receivable & prepaid expenses	$ (295,139)	$ (23,008)
(Increase) decrease in due from General Revenue Fund	(805,174)	1,239,612
(Increase) in inventories	(50,753)	(57,334)
Increase in accounts payable & unearned revenue	3,333,206	351,821
Net decrease in working capital items related to operations	$ 2,182,140	$ 1,511,091

6. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and settled on normal trade terms. These transactions at year end are as follows:

Category	2012	2011
Expenses:		
Contractual services	$ 1,158,597	$ 1,111,807
Travel and business	1,398	1,213
Supplies and services	6,999	8,591
Due from General Revenue Fund	3,241,100	2,435,926
Accounts payable and accrued liabilities	412,618	171,059

In addition, the Revolving Fund pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

The Ministry of Tourism, Parks, Culture and Sport is responsible for the acquisition of land for provincial parks. Therefore, land is not reflected in these financial statements. However, in accordance with *The Natural Resources Act* the Revolving Fund is credited with all rents and fees with respect to land.

In accordance with established Government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing, use of tangible capital assets and certain administrative costs. These costs have been absorbed by the ministerial appropriations and therefore no provision for such costs is reflected in these financial statements.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

7. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

8. Financial Instrument Risks

The Revolving Fund is exposed to credit risk from the potential non-payment of accounts receivable. An Allowance for Doubtful Accounts is recorded for these accounts that are considered uncollectible. The Revolving Fund has recorded an Allowance for Doubtful Accounts of $856,423 (2011 - $1,208,766). The Revolving Fund has no significant liquidity risk or interest rate risk.

9. Comparative Figures

Certain prior year balances have been reclassified to conform to the current year's financial statement presentation.